

Minutes of the meeting of the Audit and Compliance Committee of the Board of Directors of the Cook County Health and Hospitals System held Tuesday, October 13, 2009 at the hour of 9:00 A.M., recessed and reconvened on Thursday, October 15, 2009 at the hour of 9:30 A.M., at John H. Stroger, Jr. Hospital of Cook County, 1901 W. Harrison Street, in the fifth floor conference room, Chicago, Illinois.

## **I. Attendance/Call to Order**

Chairman Muñoz called the meeting to order at 9:00 A.M.

Present: Chairman Luis Muñoz, MD, MPH and Directors Benn Greenspan, PhD, MPH, FACHE and Heather O'Donnell, JD, LLM (3)

Absent: None

Additional attendees and/or presenters were:

Michael Ayres  
Cathy Bodnar  
Patrick T. Driscoll, Jr.  
Christina Eng-Tran  
William T. Foley

Tracy Guidry  
Tim Heinrich  
Dorothy Loving  
Pat Kitchen  
Elizabeth Reidy

Deborah Santana  
Anthony J. Tedeschi, MD,  
MPH, MBA

## **II. Public Speakers**

Chairman Muñoz asked the Secretary to call upon the registered speakers.

The Secretary responded that there were none.

## **III. Report from System Corporate Compliance Officer**

Cathy Bodner, System Corporate Compliance Officer, presented a report (Attachment #1) that included information on the following: elements of a compliance program, proposed compliance mission and vision statements, and planned compliance activities. Additionally, she presented information on the internal and external resources she would need in FY2010 to carry out these duties.

After the presentation, Director Greenspan requested that they consider increasing the priority of the human resources audit, and accelerate to a short-term project the disclosure of conflict of interests.

## **IV. Recommendations, Discussion/Information Items**

### **A. Minutes of the Audit and Compliance Committee Meeting, July 28, 2009**

Director O'Donnell, seconded by Director Greenspan, moved to accept the minutes of the Audit and Compliance Committee Meeting of July 28, 2009. THE MOTION CARRIED UNANIMOUSLY.

### **B. Update from ad hoc Corporate Compliance Work Group**

Chairman Muñoz stated that Dr. Carolyn Lopez was unable to attend the meeting, so there would not be an update for this meeting.

**IV. Recommendations, Discussion/Information Items (continued)**

**C. Update on status of the selection of Internal Auditor**

Michael Ayres, System Chief Financial Officer, and William Foley, System Chief Executive Officer, provided an update on the status of the selection of Internal Auditor. The recruiter for that position, David Gomez and Associates, has three candidates to present for interviews with the Committee.

The Committee determined that after the other items on the agenda were exhausted, the meeting should recess and reconvene on Thursday, October 15, 2009 at 9:30 A.M., at John H. Stroger, Jr. Hospital of Cook County, 1901 W. Harrison Street, in the fifth floor conference room, Chicago, Illinois, for the purpose of continuing the discussion on the subject and conducting interviews with the three candidates for the position of internal auditor.

**D. Update on status of internal audits**

Pat Kitchen and Christina Eng-Tran, of RSM McGladrey, presented an update on the status of the internal audits (Attachment #2).

With regard to the information technology audit, Chairman Muñoz inquired whether their team had begun the assessment. Mr. Kitchen responded that the initial kick-off meetings are being planned next month; the on-site field work will likely begin in November. Director Greenspan inquired whether the focus would be on data security, facilities security, or both. Mr. Kitchen responded that the focus will be on data security; to the extent that there are physical security constraints around the information systems, they will contemplate that as well.

Director O'Donnell inquired whether the payroll audit was only for John H. Stroger, Jr. Hospital of Cook County. Mr. Kitchen responded that initially they will roll the audit out for Stroger Hospital, but will then look at the other facilities as the risks evolve.

**E. Presentation of the web-based audit reporting tool (Auditor Assistant)**

Ms. Eng-Tran provided a presentation on the web-based audit reporting tool, Auditor Assistant (Attachment #3).

Chairman Muñoz clarified that this tool would be maintained by RSM McGladrey, so that those who have access to it can be provided with the most up-to-date information to manage the internal audit functions and to review the activities involved.

Mr. Kitchen stated that this tool provides the design, as well as the operating effect. He provided an example in which a deficiency is identified. They would work with the individual responsible for that area to identify mitigating controls from a design standpoint. As a result, a policy or procedure will be put in place to address the issue. The next step, after the policy or procedure has been implemented, they can go back to test the operating effectiveness of the control.

Director Greenspan asked, using this example, how long they would wait to go back and audit the utility of the control. Mr. Kitchen stated that, depending on the area and the risk associated with it, they would typically go back after six months to test the effectiveness. Based upon Mr. Kitchen's response, Director Greenspan asked if they should not expect to see change of the risk assessments for at least six months after their field work begins. Mr. Kitchen responded affirmatively, adding that a six to twelve month time frame would be a reasonable expectation to complete the audits, take corrective action, and reassess based on subsequent testing.

**IV. Recommendations, Discussion/Information Items (continued)**

**F. Update from Deloitte & Touche on 2008 Audit**

Tracy Guidry, of Deloitte & Touche, presented an update on the 2008 Audit. She stated that back in July, the Committee was given an update and was presented draft financial statements and a draft management letter for their review. At that time, Deloitte & Touche mentioned that they were still working on the County's audit. She stated that they are still working on the County's audit. They did not receive the trial balances from the County for their particular funds until towards the end of September. At this point, they are working diligently to audit those numbers.

Chairman Muñoz clarified that with respect to the System, all information is up to date. Ms. Guidry responded affirmatively; however, the only issues outstanding with regard to the System are for those areas that inter-relate with the County (construction in progress, for example).

With regard to timelines, Ms. Guidry stated that they are attempting to finish the majority of their field work by the end of October, possibly stretching into early November. After that point, they will work on reporting. If everything goes according to plan, they hope to issue in mid-November.

**V. Action Items**

A. Any items listed under Section IV

**Chairman Muñoz declared the meeting recessed and stated that the meeting would reconvene on Thursday, October 15, 2009 at 9:30 A.M., at John H. Stroger, Jr. Hospital of Cook County, 1901 W. Harrison Street, in the fifth floor conference room, Chicago, Illinois.**

**Thursday, October 15, 2009**

**The Committee reconvened at approximately 9:45 A.M. and resumed their discussion of Item IV(C).**

Present: Chairman Luis Muñoz, MD, MPH and Director Benn Greenspan, PhD, MPH, FACHE (2)

Absent: Director Heather O'Donnell, JD, LLM (1)

Director Greenspan, seconded by Chairman Muñoz, moved to recess the regular session and convene into closed session, pursuant to the following exception to the Illinois Open Meetings Act: 5 ILCS 120/2(c)(1), which permits closed meetings for consideration of "the appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee of the public body or against legal counsel for the public body to determine its validity." THE MOTION CARRIED UNANIMOUSLY.

Chairman Muñoz declared that the closed session was adjourned. The Committee reconvened into open session.

**VI. Adjourn**

As the agenda was exhausted, Chairman Muñoz declared that the meeting was adjourned.

Respectfully submitted,  
Audit and Compliance Committee of the  
Board of Directors of the  
Cook County Health and Hospitals System

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
Luis Muñoz, MD, MPH, Chairman

Attest:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
Deborah Santana, Secretary

Cook County Health and Hospitals System  
Minutes of the Audit and Compliance Committee Meeting  
October 13, 2009, recessed and reconvened October 15, 2009

ATTACHMENT #1

# Corporate Compliance Report

---

**Presented To**

**Cook County Health & Hospitals System  
Audit & Compliance Committee**

Cathy Bodnar, MS, RN, CHC

Chief Compliance Officer

October 13, 2009

# Elements of a Compliance Program

---

There are seven required elements<sup>1</sup>:

- ❑ Setting standards through written policies and procedures
- ❑ Communicating the standards through regular education and training programs
- ❑ Enforcing standards and disciplining actions that are non-compliant
- ❑ Providing a mechanism for reporting potential violations
- ❑ Responding to and investigating the concerns raised
- ❑ Utilizing monitoring and auditing activities to decrease problems
- ❑ Maintaining an organizational structure to sustain and enhance the program

Plus one additional implied element:

- ❑ Identifying and assessing business and reputational risks

<sup>1</sup> OIG Compliance Program Guidance for Hospitals, Federal Register/Vol. 63, No. 35/Monday, February 23, 1998

# Proposed Compliance Mission Statement

---

The Corporate Compliance Program supports the mission, vision, and core goals of Cook County Health & Hospitals System by

- ▣ Developing standards
- ▣ Increasing awareness
- ▣ Promoting honest and ethical behavior

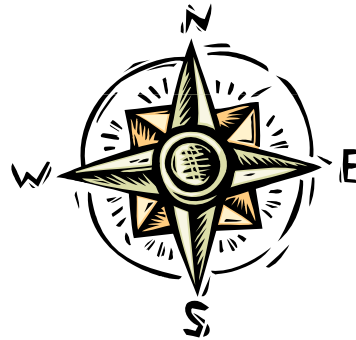
Through education, awareness, and shared accountability that promotes compliance with applicable laws, regulations, and system policies.



# Proposed Compliance Vision Statement

---

The Corporate Compliance will be a resource to everyone affiliated<sup>2</sup> with Cook County Health & Hospitals System.



<sup>2</sup> For the purposes of this statement, “affiliated” is defined as all employees, medical staff, house staff, Board members, volunteers, students, consultants, agency personnel, and vendors.

# Next Steps



# Planned Q4 Activity

---

- ❑ Assess each compliance program element  
Status: Anticipated assessment completion date – 11/30/2009
- ❑ Engage audit & compliance committee  
Status: Formally initiated today → ongoing
- ❑ Charter an internal compliance committee  
Status: In process
- ❑ Redefine the role of the ad hoc committee  
Status: In process
- ❑ Develop FY10 work plan  
Status: In process
- ❑ Establish and report compliance metrics  
Status: To be determined

# Assessment Resources

---

- Authoritative source documents
  - Office of Inspector General (OIG) Compliance Program Guidelines
  - Federal Sentencing Guidelines
- External resources
  - Industry publication and conferences
  - Reports on the approach to key areas from other institutions
  - Dialog with peers
- Discussions with CCHHS staff and affiliates

# Proposed FY10 Team for the System Compliance Program

---

- ❑ Chief Compliance Officer
- ❑ Privacy Officer
  - Subspecialty: Education
- ❑ Inpatient/ Facility Focused
  - Subspecialty: Research
- ❑ Outpatient/ Professionally Focused
  - Subspecialty: Grants
- ❑ Compliance Coordinator

## With the potential to add

- ❑ Another area of focus not yet identified through discovery and/ or strategic planning

# Proposed Purchased Services

---

- ❑ External Compliance Consultants
  - For guidance related to issues & project management
- ❑ Compliance Hotline (Voice & Web)
- ❑ Tracking Tool
  - Reactive compliance issues
  - Proactive compliance projects
- ❑ Code of Conduct Development & Rollout
- ❑ Web-based Compliance Education

## Stretch Project

- ❑ Conflict of Interest Disclosure Survey
  - Development & Rollout

Cook County Health and Hospitals System  
Minutes of the Audit and Compliance Committee Meeting  
October 13, 2009, recessed and reconvened October 15, 2009

ATTACHMENT #2

Audit	Audit Timeline															
	2009					2010										
	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November
Grants		Planning/Fact Finding	Fieldwork													
HR/Payroll	Planning						Fieldwork									
IT - System Access and Security		Planning	Fieldwork													
Contract Management			Planning	Fieldwork												
Procurement				Planning	Fieldwork											
Third Party Settlement Accounts					Planning	Fieldwork										
Corporate Compliance								Planning		Fieldwork						
Revenue									Planning	Fieldwork						
IT - System Integration											Planning	Fieldwork				
Financial Statement Preparation												Planning	Fieldwork			

**General Note:**

The **Planning** Phase consists of all planning activities that take place prior to on-site visit. Activities include, but are not limited to reviewing the applicable sections of the 2009 CCHHS Risk Assessment, relevant committee meeting minutes in the CCHHS website and any background information we have on file; creating a process understanding questionnaire, creating a document requests list; identifying risks we believe exist/applicable to the area; coordinating the timing for the audit and have the interviews lined up; reviewing the documents/information provided by the auditee in response to the information request list, etc.

The **Fieldwork** Phase consists of conducting process walkthroughs, obtaining detailed understanding of the process/area, documenting our understanding, fine-tuning risks and identifying controls in place to mitigate the risks identified, performing control gap analysis, developing and executing the audit program with specific focus on testing key controls, documenting test results and reporting audit results to executive management and audit committee, etc.

**Excerpt from the 2009 CCHHS Risk Assessment**

**Internal Audit Priorities**

In order to address the higher risk activities and other areas of concern identified during the risk assessment process, the following internal audit activities should occur in the near future. These audits are not in any specific order, but RSM McGladrey recommends that these projects be the first 10 internal audits completed by CCHHS:

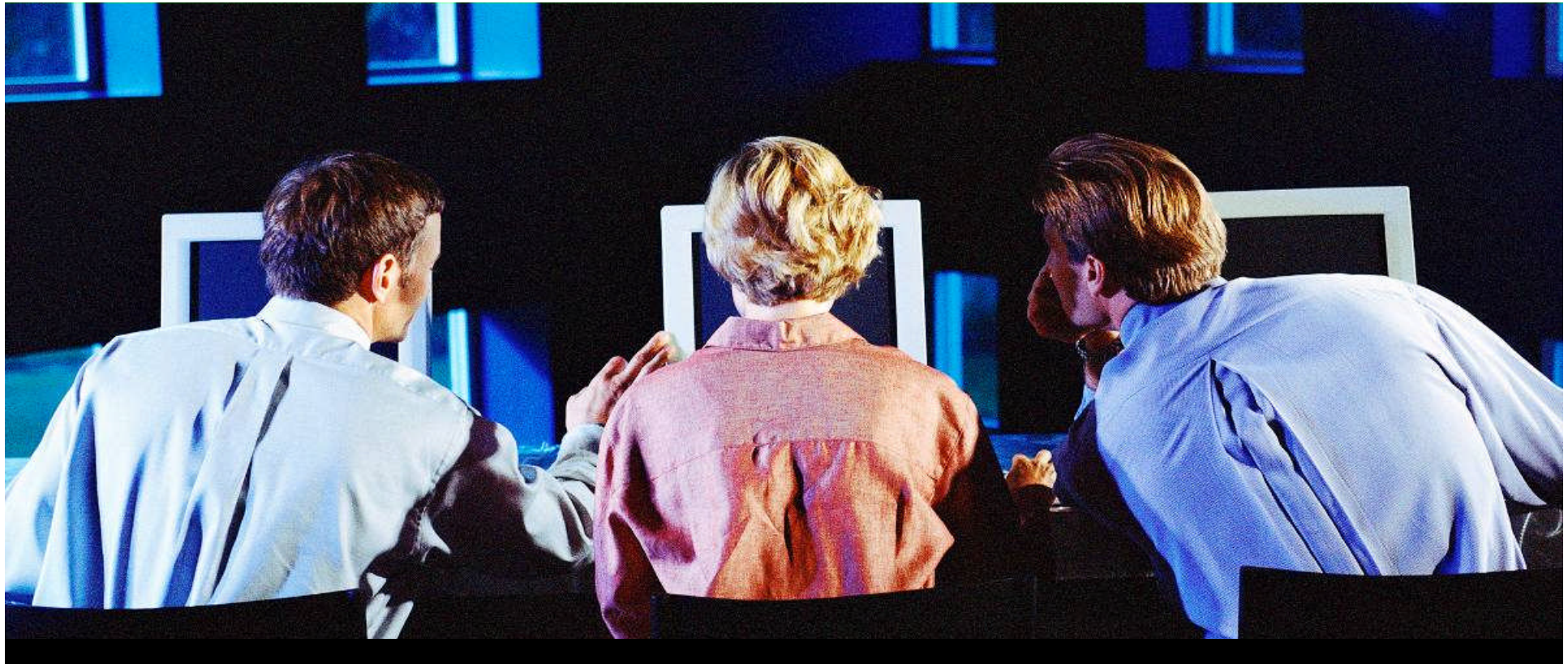
- Grants audit with focus on the Hektoen Institute entity.
- Human Resources and Payroll audit for Stroger Hospital.
- Audit of Third Party Settlement Accounts.
- Revenue audit of Stroger Hospital with emphasis on Medicare/Medicaid revenue.
- IT audit of System Access and Security.
- IT audit of System Integration.
- Contracts Management audit for all of CCHHS.
- Procurement audit for all of CCHHS with focus on Inventory.
- Corporate Compliance audit with emphasis Medical Coding.
- Audit of monthly Financial Statement Preparation process.

These internal audits can be performed in any order that the Audit Committee deems proper, or can be changed at any time the Audit Committee receives additional information on risks to CCHHS.



Cook County Health and Hospitals System  
Minutes of the Audit and Compliance Committee Meeting  
October 13, 2009, recessed and reconvened October 15, 2009

ATTACHMENT #3

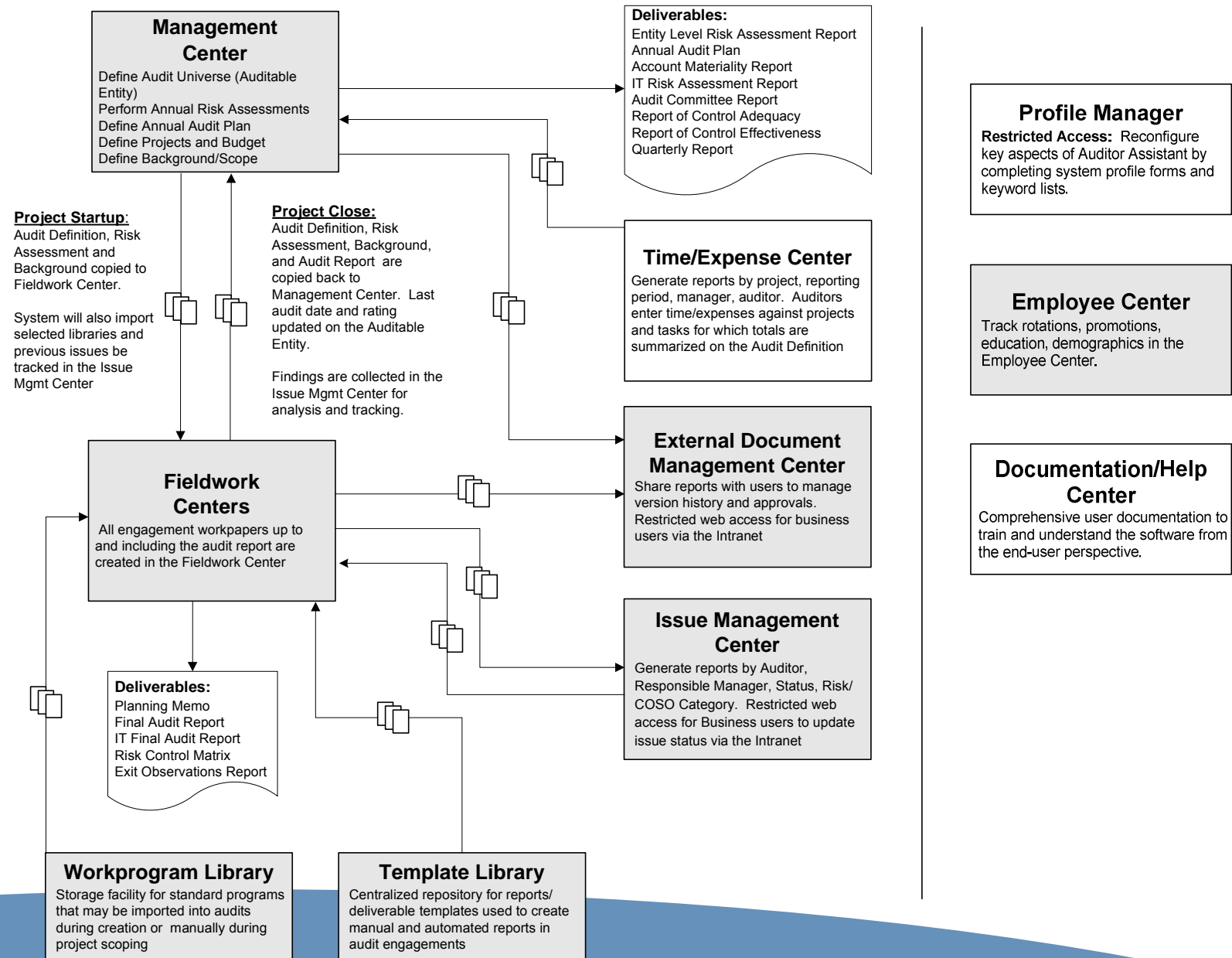


# Auditor Assistant™ Overview

**RSM McGladrey**

# Auditor Assistant Information Flow

RSM! McGladrey





## Auditor Assistant™ - Engagement planning

The screenshot shows the Auditor Assistant Management Center interface. The top navigation bar includes tabs for Universe, Risk Factors, Projects, Project Mgmt, and Administration. The main view is titled 'Audit Universe' and displays a list of projects for TransAtlantic Steel, Inc. The sidebar on the left shows a tree view of project categories, including Accounting, Financial Reporting, Accruals, A/P, Expense Reporting, Prepaid Expenses, Leases, Cash Management, Investments, PP&E, Example, Human Resources, Payroll, Safety, Security, and Risk Assessment of Human Resources, Payroll, Safety, Security. The main area displays a risk assessment table with columns for Auditable Entity, Total, Extnl Mkt/ Reptn, Financial, Optnl, Legal/ Reg, Strategic, Tech/ Systems, People/ Culture, and Fraud. The table lists various business units and their associated risk levels (High, Mod, Low) for each risk factor.

Auditable Entity	Total	Extnl Mkt/ Reptn	Financial	Optnl	Legal/ Reg	Strategic	Tech/ Systems	People/ Culture	Fraud
TransAtlantic Steel, Inc.									
2006									
Accounting, Financial Reporting, Accruals	213	Mod	Mod	High	Low	Mod	Low	High	High
A/P, Expense Reporting, Prepaid Expenses, Leases	188	High	Low	Mod	Mod	Low	High	Mod	Low
Cash Management, Investments, PP&E	227	High	High	Mod	Low	Mod	High	Low	Mod
Human Resources, Payroll, Safety, Security	187	Low	Low	Low	Mod	High	Mod	High	High
Information Systems	216	High	Low	Low	Mod	High	High	Mod	High
Inventory, Warehousing	179	Mod	Mod	Low	Low	Mod	High	Mod	Low
ISO Certification & Standards	231	Mod	Mod	High	High	Mod	High	Mod	Low
Manufacturing Engineering	182	Mod	Low	Mod	High	High	Low	High	Low
Order Entry, A/R, Credit/Collections, Cash Receipts, Billing	238	Mod	Mod	High	Mod	Mod	Mod	High	High
Product Engineering, R&D	200	Low	Low	Low	High	High	High	High	Mod
Production Control (Shop Floor)	213	Mod	Mod	High	Low	Mod	Low	High	High
Purchasing, Material	256	Low	Mod	High	Mod	High	High	High	High
Requirements Planning	168	High	Low	Low	Mod	Mod	Mod	Low	Mod
Sales, Marketing, Pricing, Customer Service, Warranty	176	Low	Mod	High	Low	Low	Low	Low	High
Shipping, Receiving, Logistics, Export Controls									

- Understand your business and assess the overall risk in order to generate an annual audit plan.
- Risk assessment based on an analytical review of management reporting and answers to questionnaires.
- The steps in this phase consist of the following:
  - Establish communication protocols with management, including engagement logistics and information requests
  - Analyze risks in the business, financial position and growth expectations, strategies and key objectives, and key controls
  - Assess and rate business risk and control risk, resulting in a "heat map"
  - Understand, the "tone at the top" and the control environment, monitoring and risk assessment activities and the effect of entity-wide controls on the execution of transactional activity
- Determine and document the structure of the organization and who is responsible for the management of major risks in each area, as a foundation for creating the audit universe

## Auditor Assistant™ - Project scoping

The screenshot displays the Auditor Assistant Fieldwork Center interface. The main window is titled 'Revenue Cycle Review: 03/01/2006' and shows a tree view of the project structure. The 'A. Administration' section is expanded, showing '1. Planning' with sub-items like 'Audit Definition', 'Account Materiality', 'Background/Scope', 'Planning Memo', 'Client Request Letter', and 'Risk Assessment'. The 'B. Customer and Order Processing' section is also expanded, showing various control tests and their results.

On the right, a 'Risk' summary table is visible, detailing the inherent risk factors, risk type, impact, COSO component, assertion, likelihood, financial disclosure, related material accounts, and other accounts. Below this, an 'Associated Controls' table lists specific controls, their descriptions, types, frequencies, and detection frequencies.

The bottom section of the interface shows a 'Control' summary table, detailing the control design evaluation, control description, control risk factors, control type, application control type, COSO component, assertion, detects fraud, SOX control, key control, automation, and frequency.

- Project scoping is the first phase of the methodology focused on the individual auditable entities.
- Annual audit plan lists the various auditable entities within the organization whose risk was deemed to be at a level that requires an audit.
- The major activities of project scoping are:
  - Determine the various sub-processes within the auditable entity that contain the greatest risk
  - Develop an initial work plan for addressing each major risk area (listing key risks and controls)
  - Create a schedule and detailed budget for the engagement, and communicate a schedule of items needed
  - Develop the project team to perform the various tasks
- The major deliverables are an initial request letter, a detailed work plan or audit program, and a planning memo with estimated hours for each business process.

## Auditor Assistant™ - Assessing control adequacy

Auditor Assistant		RSM! McGladrey	
Control		Current Editor: Mike Rasmussen	
Summary   Control   Cross-References   Approvals   History			
<b>Result</b> Control Design Evaluation: 2. Ineffective--Issue Exit Observation		<b>Result</b> Control Design Evaluation: <div> <input checked="" type="radio"/> 1. Effective--Test  <input checked="" type="radio"/> 2. Ineffective--Issue Exit Observation  <input type="radio"/> 3. Ineffective--Issue Reportable Observation  <input type="radio"/> 4. Effective--Do not Test  <input type="radio"/> 5. Control Gaps - Issue Reportable Observation           </div>	
<b>Control</b> Control Description:			
Control Risk Factors: ? A. Monitoring, B. Information & Communications, E.			
Control Type: <div> <input checked="" type="radio"/> Preventative  <input type="radio"/> Detective           </div>			
Application Control Type: <div> <input type="checkbox"/> Application Security  <input type="checkbox"/> Input  <input type="checkbox"/> Output           </div>			
COSO Component:			
Assertion:			
Detects Fraud: <input type="radio"/> Yes <input checked="" type="radio"/> No			
SOX Control: <input checked="" type="radio"/> Yes <input type="radio"/> No			
Key Control: <input checked="" type="radio"/> Yes <input type="radio"/> No			
Automation: <div> <input type="radio"/> System  <input type="radio"/> Manual  <input checked="" type="radio"/> Combined           </div>			
Frequency: <div> <input type="radio"/> Continuous  <input type="radio"/> Daily  <input type="radio"/> Weekly  <input checked="" type="radio"/> Monthly  <input type="radio"/> Quarterly  <input type="radio"/> Annual           </div>			
<b>Finding/Observation</b>			
Summary   Report Observation   Follow-up   Cross-References   Approval   History			
<b>REPORT INFORMATION:</b> Please enter a sequence number and summary in the fields below. The summary can be typed or text can be copy and pasted to provide a synopsis of the contents of the recommendation, finding and response. This information will be compiled into the Engagement Report.			
<b>Sequence</b>			
Sequence #:	<input checked="" type="radio"/> 1 <input type="radio"/> 2		
Reportable:	<input type="radio"/> High <input type="radio"/> Moderate <input checked="" type="radio"/> Low		
Deficiency Rating:	<input type="radio"/> Inconsequential <input type="radio"/> Significant-Material <input type="radio"/> Significant-Immaterial		
Difficulty of Resolution:	<input type="radio"/> High <input type="radio"/> Moderate <input checked="" type="radio"/> Low		
<b>Findings</b>			
<b>Recommendation</b>			
<b>Management Response</b>			

- Determine if the design of the control activities within the various business functions is adequate to mitigate all significant risks to the business.
  - Document understanding of individual business processes, functions and departments deemed in scope, based upon the risk assessment
  - Develop documentation that highlights prevalent risks, their impact to the overall control structure, and the control activities in place to mitigate the risks
  - Identify and categorize controls (key and secondary) to focus on the key controls that will be tested and relied upon in future phases.
  - Perform walkthroughs of the various control activities to validate they are performed as described.
  - Develop recommendations for remediation of any design gaps.
  - Populate the risk and control matrices that describe the inherent risks and key controls and other information related to the controls (these matrices will allow for test programs to be written appropriate controls).

## Auditor Assistant <sup>TM</sup> - Assessing control effectiveness

Test																	
<div>Summary   Test   Cross-References   Approval   History</div>																	
<b>Result</b>																	
Result:	<input checked="" type="radio"/> 1. In Progress <input type="radio"/> 2. Deferred Test <input type="radio"/> 3. No exceptions noted <input type="radio"/> 4. Exception(s) noted--pass further review <input type="radio"/> 5. Exception(s) noted--issue Exit Observation <input type="radio"/> 6. Exception(s) noted--issue Reportable Observation																
<b>Associated IT Information Assets</b>																	
No IT Assets are listed as part of this audit.																	
<b>Finding/Observation</b> <span style="float: right;">Current Editor: Tresha Ambrosy</span>																	
<div>Summary   Report Observation   Follow-up   Cross-References   Approval   History</div>																	
The information below is used for follow-up and reporting purposes and does not appear when the form is printed.																	
<b>Associated Risks</b>																	
This test will be associated with the controls pa																	
<b>Associated Controls</b>																	
<div>Add Control   Disassociate Control</div>																	
This test will be associated with the parent c																	
<b>Test Steps</b>																	
<div> <div>1</div> <div>2</div> <div>3</div> <div>4</div> <div>5</div> <div>6</div> <div>7</div> <div>8</div> <div>9</div> <div>10</div> <div>11</div> <div>12</div> <div>13</div> <div>14</div> <div>15</div> <div>16</div> <div>17</div> <div>18</div> <div>19</div> <div>20</div> </div>																	
<b>Test Scope</b>																	
<b>Test Sampling</b>																	
<b>Test Description</b>																	
<b>Detailed Findings</b>																	
<table border="1"> <thead> <tr> <th colspan="4">Auditable Entity Manager</th> </tr> </thead> <tbody> <tr> <td>Name:</td> <td><input type="text" value="John Jones"/></td> <td>E-Mail:</td> <td><input type="text" value=""/></td> </tr> <tr> <td>Other Managers:</td> <td><input type="text" value=""/></td> <td>Follow-up Auditor (In-Charge):</td> <td><input checked="" type="checkbox"/> Tresha Ambrosy/Davenport/MP/RSMI</td> </tr> <tr> <td>Source:</td> <td> <input checked="" type="radio"/> Internal Audit Report  <input type="radio"/> External Auditors  <input type="radio"/> Regulators  <input type="radio"/> Independent Review  <input type="radio"/> Entity Level Risk Assessment         </td> <td>Repeat:</td> <td> <input type="radio"/> Yes  <input checked="" type="radio"/> No         </td> </tr> </tbody> </table>		Auditable Entity Manager				Name:	<input type="text" value="John Jones"/>	E-Mail:	<input type="text" value=""/>	Other Managers:	<input type="text" value=""/>	Follow-up Auditor (In-Charge):	<input checked="" type="checkbox"/> Tresha Ambrosy/Davenport/MP/RSMI	Source:	<input checked="" type="radio"/> Internal Audit Report <input type="radio"/> External Auditors <input type="radio"/> Regulators <input type="radio"/> Independent Review <input type="radio"/> Entity Level Risk Assessment	Repeat:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Auditable Entity Manager																	
Name:	<input type="text" value="John Jones"/>	E-Mail:	<input type="text" value=""/>														
Other Managers:	<input type="text" value=""/>	Follow-up Auditor (In-Charge):	<input checked="" type="checkbox"/> Tresha Ambrosy/Davenport/MP/RSMI														
Source:	<input checked="" type="radio"/> Internal Audit Report <input type="radio"/> External Auditors <input type="radio"/> Regulators <input type="radio"/> Independent Review <input type="radio"/> Entity Level Risk Assessment	Repeat:	<input type="radio"/> Yes <input checked="" type="radio"/> No														
<table border="1"> <thead> <tr> <th colspan="2">Risk Factors</th> </tr> </thead> <tbody> <tr> <td>Inherent Risk Factors:</td> <td> <input type="text" value="C. Operational, E. Strategic, F. Technology/Systems, G. People/Culture, H. Fraud"/> </td> </tr> <tr> <td>Control Risk Factors:</td> <td> <input type="text" value="A. Monitoring, B. Information &amp; Communications, E. Control Environment"/> </td> </tr> </tbody> </table>		Risk Factors		Inherent Risk Factors:	<input type="text" value="C. Operational, E. Strategic, F. Technology/Systems, G. People/Culture, H. Fraud"/>	Control Risk Factors:	<input type="text" value="A. Monitoring, B. Information &amp; Communications, E. Control Environment"/>										
Risk Factors																	
Inherent Risk Factors:	<input type="text" value="C. Operational, E. Strategic, F. Technology/Systems, G. People/Culture, H. Fraud"/>																
Control Risk Factors:	<input type="text" value="A. Monitoring, B. Information &amp; Communications, E. Control Environment"/>																
<table border="1"> <thead> <tr> <th colspan="2">Status</th> </tr> </thead> <tbody> <tr> <td>Current Status:</td> <td> <input checked="" type="radio"/> Open  <input type="radio"/> Closed         </td> </tr> <tr> <td>Closed Date:</td> <td><input type="text" value=""/></td> </tr> <tr> <td>Implementation Date:</td> <td><input type="text" value=""/></td> </tr> </tbody> </table>		Status		Current Status:	<input checked="" type="radio"/> Open <input type="radio"/> Closed	Closed Date:	<input type="text" value=""/>	Implementation Date:	<input type="text" value=""/>								
Status																	
Current Status:	<input checked="" type="radio"/> Open <input type="radio"/> Closed																
Closed Date:	<input type="text" value=""/>																
Implementation Date:	<input type="text" value=""/>																

- The primary objective is to assess the effectiveness of the control activities in place to mitigate significant business risks. Specific testing must be performed to determine whether which controls worked as intended, and what control gaps exist.
- The process steps for this phase of the methodology are:
  - Create test plans
  - Request transaction documents, data or evidence from client
  - Execute test, preserving appropriate documentation as required.
  - Analyze exceptions and determine findings and conclusions
  - Complete Risk and Control matrix.
  - Prior to completing fieldwork, discuss initial findings and potential recommendations with client staff.



## Auditor Assistant™ - Reporting

**RSM McGladrey Auditor Assistant Fieldwork Center**

**Reports**

**Information Systems Review: 03/11/2006**

**Audit Definition**

MRas Audit Definition: Information Systems Review: [03/11/2006]

**Executive Summary**

MRas Executive Summary

**Finding/Observation**

Finding Number	Status	Description	Severity
1	MRas B.F.210.1 Finding/Observation: The organization maintains an appropriate strategic technology plan including capacity planning and availability requirements to meet the needs of the business units and to adequately support financial reporting.	Low	
1	MRas B.F.310.1 Finding/Observation: Review components of the IT strategic plan.	Low	
2	MRas B.F.210.1 Finding/Observation: The organization maintains an appropriate strategic technology plan including capacity planning and availability requirements to meet the needs of the business units and to adequately support financial reporting.	Low	
2	MRas C.F.210.1 Finding/Observation: IT management has implemented a division of roles and responsibilities (segregation of duties) that reasonably prevents a single individual from subverting a critical process that may impact financial reporting or create an opportunity for fraud.	Low	

**IT Final Report (WORD)**

MRas IT Final Report (WORD) [03/11/2006 08:06 PM]

**IT Draft Report (WORD)**

MRas IT Draft Report (WORD) [03/11/2006 03:42 PM]

MRas IT Draft Report (WORD) [03/11/2006 04:04 PM]

**Risk Control Matrix Report (EXCEL)**

**INTERNAL AUDIT REPORT**

**I. EXECUTIVE OVERVIEW**

**Introduction**

We recently completed a review of the 2006 Reverse Cycle Review function with a primary objective of evaluating the process and significant control points for effectiveness, adequacy, and efficiency of operations. The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (the "IIA Standards"). This report is intended solely for the information and use of management and the Board of Directors, and should not be used for any other purpose. The company's external auditors and regulators may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

The following chart, extracted from the risk assessment conducted as part of the internal audit plan development, illustrates the areas that present the higher risk.

Business Unit	Financial	Ops	Legal/Reg	Strategy	Tech/Systems	People/Culture	Process	Risk Score
Bank	Med	Med	High	Med	Med	Med	High	Med
Other	Med	Med	Med	Med	Med	Med	Med	Med

**Audit Scope**

We completed an audit of 2006 Reverse Cycle Review for TransAtlantic Steel, Inc. in accordance with the audit plan and planning memo. Our review was performed to:

- Obtain an understanding of the functions and processes;
- Identify the risks and exposures;
- Assess the impact of such risks on the financial statements and the internal control environment; and
- Evaluate the adequacy of internal controls in place to mitigate the identified risks.

To accomplish this, we reviewed or performed:

- Most recent internal audit report and management's follow-up on the reported issues;
- Key management reports;
- The most recent regulatory examination report and management's action to address any related issues;
- Policy and procedure for the areas covered under the scope of this audit;
- Interviews with interviewees.

It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls in the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented intentionally by

**II. OBSERVATIONS AND RECOMMENDATIONS**

Observation	Recommendation	Management Response
1. Orders exceeding credit limits	Recommendation: "Identified several orders that were significantly over extended credit limits" issue	Response to "Identified several orders that were significantly over extended credit limits" issue Responsible Individual: John Doe Target Date:
2. Orders exceeding credit limit were not included in the reports	Recommendation for "Found that credit limits exceeded reporting and determine that these orders were included in reporting" issue	Response for "Found that credit limits exceeded reporting and determine that these orders were included in reporting" issue Responsible Individual: John Doe Target Date:
3. Access to the customer master file is limited, new customers and significant changes in customer require approval by Credit management, and reporting is automatically generated by the customer file application to highlight those customers who have noncompliant information. Customer files are reviewed for accuracy on a periodic basis.	Recommendation	Management Response Responsible Individual: John Jones Target Date: 03/11/2006

- The Final Report encompasses the executive summary, observations summary, detailed observations and management responses. The purpose of the Internal Audit Report is twofold:
  - Communicate Internal Audit observations and recommendations in a systematic and timely manner.
  - Ensure that all issues are resolved by auditable entity management without significant financial loss or embarrassment.
- The Risk Control Matrix is a key document that contains all of the information the team has assembled on risks and controls in each process, as well as any changes in controls the team is recommending including:
  - Primary risks the project team identifies,
  - Key controls used by the client to manage those risks,
  - Significance of the control (e.g., key or secondary)
  - Type of control (e.g., automated, combined, or manual)
  - Process owner
  - Frequency of control (e.g., daily, weekly, monthly, quarterly, annual)
  - Assertions addressed by control



## Auditor Assistant™ - Issue Management

**Screenshot 1: Main Menu**

To change your view, roll your mouse over a view to display the next category of views. Then click the desired view.

By Organization  
By Audit  
By Management  
By All  
By Status  
By Auditor  
Open

Current View: 01. All's. By Organization

Describes which view is currently being displayed.

**Screenshot 2: Audit Findings List**

Universe Status Auditor Open Administration Views: All Issues by Audit, All Issues by Organization, All Issues by Audit, All Issues by Management, All Issues by Risk Category

ABC-XYZ, Inc. / Tone at the Top 2006: 01/23/2006  
APAS - NEW for Smart Bank 12-27-05 (2): 12/31/2005  
APAS for Smart Bank 12-27-05: 12/27/2005

**Screenshot 3: Update Status of Follow-up**

Update Status of Follow-up

New Status: Extended Closed Lapsed

Fill out for Extended or Lapsed:  
New Implementation Date: 02/15/2006  
New Explanation for extension or lapse: CFO is no longer with the company.

Fill out for Closed:  
Close Date: 02/15/2006  
Basis for Close: Mgmt. Assertions Evidence

**Status Update**

From: Tresha Ambrosy

Reason for Update: Provide Additional Information Request Extension Request Closure

Current Due Date: 02/15/2006

Close Date (mm/dd/yyyy): 03/15/2006

Basis for Close: Mgmt. Assertions Evidence

Additional Information: It has been determined my management that this issue should be closed.

Additional Documentation: Browse... Browse... Browse...

Submit Cancel

- The Issue Management Center is a centralized repository containing all Audit Findings from completed audits and entity level risk assessments. It simplifies management of unresolved audit issues throughout the organization.
- Tracks management issues updates by recording the date, provided by, action and comments. Auditable Entity Managers will provide their comments through the IMC web interface.
- Each Auditable Entity Manager will be able to provide and edit their responses through this tab on the web.
- System send email notifications to Followup Auditors and Business Managers with summary of upcoming and past due issues

## Questions?



- Contact Technology Business Services
  - Mike Rasmussen
  - Director
  - [Mike.Rasmussen@rsmi.com](mailto:Mike.Rasmussen@rsmi.com)
  - 952.921.7729
  - [www.rsmmcgladrey.com](http://www.rsmmcgladrey.com)